

May 28, 1996

D.P.U. 96-34

Application of Western Massachusetts Electric Company, under the provisions of G.L. c. 164, § 94G(a), for approval by the Department of Public Utilities of the Company's annual performance program relating to fuel procurement and use.

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FOR: WESTERN MASSACHUSETTS ELECTRIC COMPANY
Petitioner

I. INTRODUCTION

On March 1, 1996, pursuant to G.L. c. 164, § 94G(a), Western Massachusetts Electric Company ("WMECo" or "Company") submitted a petition to the Department requesting approval of proposed generating unit performance goals for the period June 1, 1996 through May 31, 1997. Section 94G(a) requires each electric company to file with the Department annual performance programs that provide for the efficient and cost-effective operation of its generating units. Each company's performance program must include proposed unit and system performance goals for availability factor ("AF"), equivalent availability factor ("EAF"), capacity factor ("CF"), forced outage rate ("FOR"), and heat rate ("HR"). The petition was docketed as D.P.U. 96-34.

Pursuant to notice duly issued, the Department conducted a hearing on the Company's petition on April 24, 1996. In support of its petition, the Company sponsored the testimony of Robert A. Baumann, fuel accounting and recovery manager, and Thomas J. Dente, nuclear operations support services manager, both employed by Northeast Utilities Service Company ("NUSCO")¹ (Exh. DPU-1, at 1; Tr. at 7-9). The evidentiary record includes nine exhibits and two responses to record requests.

II. WMECO'S SUPPLY-SIDE PORTFOLIO

The Company exclusively owns and operates West Springfield 3, a 107 megawatt ("MW") fossil unit, and three jet units: Doreen 10 (18.3 MW); Woodland Road 10 (18.5 MW); and West Springfield 10 (19.2 MW) (Exh. WM-1, at 4, 46). WMECo owns 19.0 percent (123.1 MW) of Millstone 1, a 647.7 MW nuclear unit; 19.0 percent (166.2 MW) of Millstone 2, a 874.5 MW

¹ WMECo and NUSCO are wholly-owned subsidiaries of Northeast Utilities ("NU") (Tr. at 7). NUSCO provides engineering, accounting, legal and other administrative services to WMECo and other NU subsidiaries (id.).

nuclear unit; and 12.2 percent (140.2 MW) of Millstone 3, a 1145.7 MW nuclear unit (id. at 4).

All three Millstone units are owned and operated by NU (id. at 46). The Company also owns 19.0 percent (51.3 MW) of each of four 270 MW pumped storage units, Northfield 1, 2, 3, and 4 (id. at 4).

Under a life-of-the-unit contract, WMECo receives 9.5 percent (55.4 MW) of the output from Connecticut Yankee, a 583.2 MW nuclear unit which is principally owned by NU and operated by Connecticut Yankee Atomic Power Company; 2.3 percent (11.9 MW) from Vermont Yankee, a 531.0 MW nuclear unit, owned and operated by Vermont Yankee Nuclear Power Corporation; and 2.7 percent (23.7 MW) from Maine Yankee, a 880 MW nuclear unit, owned and operated by Maine Yankee Nuclear Power Company (id. at 4, 46; see also Western Massachusetts Electric Company, D.P.U. 94-40, at 2 (1994)). The remainder of the Company's supply comes from purchases from small power producers such as Springfield (7.5 MW) and Masspower (54.0 MW) (Exh. WM-1, at 45).

For the purpose of distinguishing those units that contribute most to system costs, performance programs identify major and minor units. Major units are units which contributed at least five percent of the system generation (as measured in megawatt-hours) in any of the previous three years, or units in which a company has at least a 100-megawatt entitlement during the upcoming performance year. Any unit that does not qualify as a major unit is a minor unit. The Company's major units are Connecticut Yankee; Millstone 1, 2, and 3; Maine Yankee; and West Springfield 3 (Exh. WM-1, at 4; Tr. at 23-25).

III. THE COMPANY'S PROPOSED GOALS

The Company proposed goals for Connecticut Yankee; Millstone 1, 2, and 3; Vermont Yankee; Maine Yankee; Northfield 1, 2, 3, and 4; West Springfield 3 and 10; Doreen 10; and Woodland Road 10 (Exh. WM-1, at 1). In its initial filing, WMECo submitted proposed goals for its major and minor units that were calculated in a manner consistent with the methodologies approved by the Department in Western Massachusetts Electric Company, D.P.U. 95-31 (1995) (id. at i).

Under the Company's goals proposal submitted with the Company's March 1 filing, the EAF goals for major and minor units were set at values corresponding to each unit's Target Unit Availability ("TUA"), the availability targets that the New England Power Pool ("NEPOOL") sets for each member utility's units under its Performance Incentive Program. In developing its proposed goals, the Company used the TUAs that were approved by NEPOOL's Power Supply Planning Committee ("NEPLAN") and adopted by the NEPOOL Executive Committee on April 21, 1993, and which became effective on May 1, 1993 (id. at 11).

In a letter to WMECo dated March 4, 1996, the Department notified the Company that in other companies' performance goal-setting proceedings, *i.e.*, Boston Edison Company, D.P.U. 95-91 (1995), Cambridge Electric Light Company, D.P.U. 95-38 (1995), and Commonwealth Electric Company, D.P.U. 95-39 (1995), the Department had approved a new methodology for establishing generating unit performance goals. In particular, WMECo was notified that the Department had found that the EAF goals should be set at the greater of NEPOOL's TUA or the EAF levels that a company had projected for resource planning purposes (March 4, 1996 Department letter to WMECo). Further, the Department requested that WMECo provide pro

forma goals based on the methodology approved in D.P.U. 95-91, D.P.U. 95-38, and D.P.U. 95-39.

In response to the Department's letter, the Company submitted a revised proposed performance program on March 19, 1996 (Exh. WM-2). According to the Company, its revised proposed EAF goals were based on the greater of NEPOOL's TUA goals or the EAF levels that are projected by the Company for resource planning purposes (id.; RR-DPU-1, at 7).²

The Company calculated the remaining performance goals (i.e., AF, CF, FOR, and HR) in accordance with the major unit methodology approved in previous proceedings, regardless of whether units met the major or minor unit criteria. Western Massachusetts Electric Company, D.P.U. 95-31 (1995).³ The Company also calculated system goals in a manner consistent with the methodology that has been approved by the Department in previous proceedings (id.).⁴

² In WMECo's March 19 revision, the proposed EAF goals were based on the greater of the TUA goals or the last four-year actual EAF average values (Exh. WM-2). Subsequently, on April 30, 1996, the Company again revised its performance program proposal using the last five-year actual EAF average values, consistent with the methodology used in the Company's most recent Integrated Resource Plan filing, docketed as D.P.U. 95-100 (RR-DPU-1, at 7).

³ AF goals were derived by adding to the EAF goal the ratio of average annual equivalent derated hours for the last three years to average annual period hours (Exh. WM-1, at 7). CF goals were derived by multiplying the ratio of the three-year average CF to the three-year average EAF by the EAF goal (id.). FOR goals were derived by dividing projected FOH by the sum of projected FOH and SH (id.). Projected FOH were developed by dividing the three-year average FOH by the three-year average PH, then multiplying by the PH in the performance year (id.). Projected SH were developed by calculating the ratio of three-year average SH to three-year average AH and multiplying that ratio by the AF goal, then by PH in the performance year (id.). HR goals were set at the best (lowest) annual HR obtained during the previous three years (id.).

⁴ System goals for EAF, AF, CF, FOR, and HR were developed from the weighted
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IV. ANALYSIS AND FINDINGS

In Boston Edison Company, D.P.U. 94-49, at 59 (1995), the Department found that "linking EAFs used for planning purposes with those adopted for the purpose of company performance reviews would further enhance the process of merging business and resource planning." The Department finds that WMECo's last revision of its goals proposal, dated April 30, 1996, is consistent with the same finding in D.P.U. 94-49.

The Department has reviewed the Company's revised goals proposal and finds that it includes all the units that should be included in the Company's generating unit performance program. The Department also finds that proposed EAF goals for major and minor units were calculated in a manner consistent with the methodologies approved by the Department in D.P.U. 95-91, D.P.U. 95-38, and D.P.U. 95-39. The Department also finds that the AF, FOR, CF and HR goals were calculated in a manner consistent with the methodologies approved by the Department in D.P.U. 95-31.

In this proceeding, the Department reaffirms its findings in D.P.U. 94-49 and the methodologies it approved in D.P.U. 95-91, D.P.U. 95-38, and D.P.U. 95-39, and finds that the efficient and effective administration of WMECo's performance program is best served by the goals proposal submitted by the Company on April 30, 1996, in its response to Record Request

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averages of the goals for the individual units (Exh. WM-1, at 7). The weighting factor for each unit was the ratio of unit to system generation as projected during the performance year (id.). Projected generation for each unit was calculated by multiplying the Company's entitlement in each unit's capacity by its CF goal (id.). Projected system generation was calculated as the sum of projected unit generations across the system (id.). For the system HR goal calculation, the weighting factor for each fossil and nuclear unit was developed as a ratio of unit to system generation, excluding the Company's hydro facilities which are Northfield Units 1 through 4 (id.).

DPU-1. The Department approves the goal-setting methodologies implicit in that proposal, and the resultant unit and system performance goals, as identified in the Company's response to Record Request DPU-1, at 2. The approved WMECo unit and system goals are identified in Table 1 attached to this Order.

V. ORDER

Accordingly, after due notice, hearing, and consideration, it is

ORDERED: That the generating unit and system performance goals for Western Massachusetts Electric Company for the period June 1, 1996 through May 31, 1997, shall be those contained in Table 1 attached to this Order; and it is

FURTHER ORDERED: That, as part of its next performance filing, the Company shall submit potential performance goals based on the EAF goals proposed at the greater level of NEPOOL's TUA goals effective at that time or of the five-year average actual EAF values used by the Company for resource planning purposes, and shall comply with the requirements set forth in this Order; and it is

FURTHER ORDERED: That, pursuant to G.L. c. 164, § 94G and § 2.6(b) of the Department's performance program guidelines, dated December 8, 1981, the Company shall report on its progress under the annual performance program with each filing made pursuant to these guidelines; and it is

FURTHER ORDERED: That the Company shall file its next performance program goals by March 1, 1997, and the next performance period shall run from June 1, 1997 through May 31, 1998.

By Order of the Department,

John B. Howe, Chairman

Mary Clark Webster, Commissioner

Janet Gail Besser, Commissioner

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).